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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

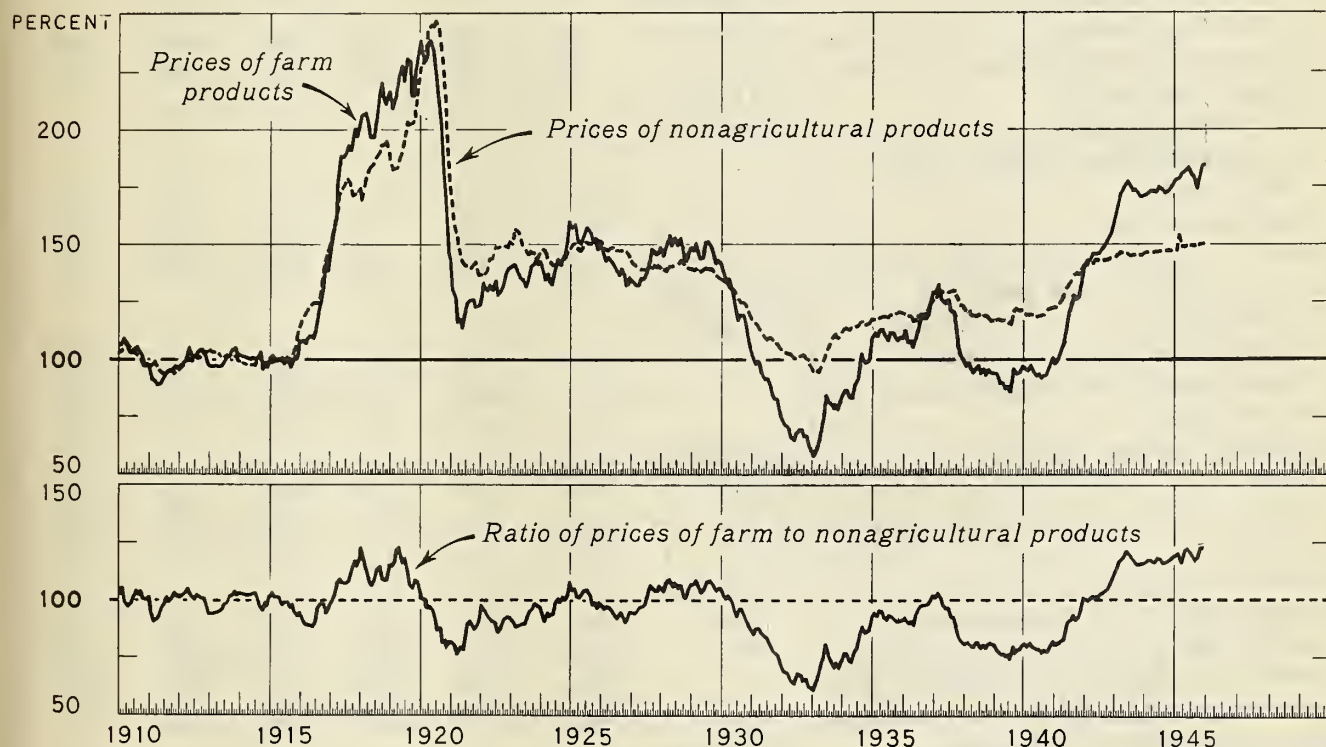
WASHINGTON, D. C.



FEBRUARY 1946

WHOLESALE PRICES AND RATIO, FARM AND NONAGRICULTURAL PRODUCTS, UNITED STATES, 1910-45

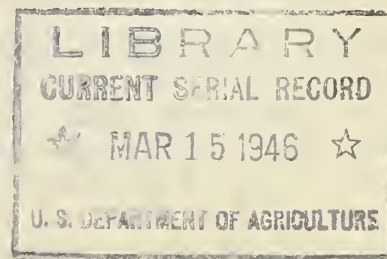
INDEX NUMBERS (1910-14=100)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 24992 BUREAU OF AGRICULTURAL ECONOMICS

In contrast with the period 1930-41, wholesale prices of farm products during 1942-45 have been higher than those of nonfarm products relative to base period 1910-14. The ratio of prices of farm products to prices of nonfarm products rose rapidly from an average of 88 in 1941 to 118 in 1943. The ratio remained relatively stable at an average of 117 in 1944 and 120 in 1945. Although wholesale prices of farm products during World War I rose higher than in World War II, the relative stability of nonagricultural prices since 1942 resulted in a generally higher level of farm prices relative to nonfarm prices during the second war period.



ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	: Units or : : base : : period :	1944		1945			
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
		:	:	:	:	:	:
Industrial Production <u>1/</u>	: 1935-39:						
Total	=100 :	235	232	167	162	168	164
All manufactures	" :	252	249	173	168	173	169
Durable goods	" :	353	343	194	186	192	187
Nondurable goods	" :	171	173	156	154	158	156
Minerals	" :	140	137	134	124	138	134
Construction activity <u>1/</u>	: 1935-39:						
Contracts, total	= 100 :	71	89	120	145	164	188
Contracts, residential	" :	39	34	64	88	108	130
Wholesale prices <u>2/</u>	: 1935-39:						
All commodities	=100 :	129	130	131	131	133	133
All commodities except farm and food	" :	121	121	123	123	123	124
Farm products	" :	162	165	164	168	173	173
Food	" :	133	133	133	134	136	137
Prices received and paid by farmers <u>3/</u>	: 1910-14: =100 :						
Prices received, all prod.	" :	195	200	197	199	205	207
Prices paid, int. and taxes ...	" :	170	171	174	175	175	176
Parity ratio	" :	115	117	113	114	117	118
Consumers' price <u>5/ 6/</u>	: 1935-39:						
Total	=100 :	126	127	129	129	129	130
Food	" :	136	137	139	139	140	141
Nonfood	" :	120	122	124	124	124	124
Income	: 1935-39:						
Nonagricultural payments <u>4/</u> ...	=100 :	231	237	227	230	232	230
Cash farm <u>3/</u>	" :	248	264	256	261	282	280
Income of Industrial Workers <u>3/</u> ..	" :	329	326	222	215	220	223
Factory payrolls <u>5/</u>	" :	361	358	228	226	226	229
Weekly earnings of factory workers <u>5/</u>	: Dollars:						
All manufacturing	" :	46.08	47.44	40.87	41.04	40.89	---
Durable goods	" :	52.07	53.68	43.95	44.40	43.97	---
Nondurable goods	" :	37.12	38.39	37.80	37.77	37.88	---
Employment	:						
Total civilian <u>7/</u>	: Millions:	51.8	50.6	51.2	51.6	51.7	51.4
Employees in nonagri. est. <u>5/</u> ..	: Thous.:	38,698	38,889	35,321	35,216	35,651	35,832
Farm <u>3/</u>	" :	10,037	9,337	10,907	11,052	10,747	9,245
Government finance (Federal) <u>8/</u> ..	: Mil. dol.:						
Receipts, net	" :	3,702	5,416	5,189	2,530	2,374	4,118
Expenditures	" :	8,097	8,416	6,611	5,950	4,656	5,445

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U.S. Dept. of Labor, B. L. S. 3/ U.S. Dept. of Agriculture, B.A.E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U.S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B. L. S. 6/ Consumers' price index for moderate income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ U.S. Dept. of Treasury. Data for 1944 are on average monthly basis.

 THE DEMAND AND PRICE SITUATION

Approved by Outlook and Situation Board - February 25, 1946

 CONTENTS

	<u>Page:</u>		<u>Page:</u>
: Demand for Farm Products ...	3 :	: Food Grains	9 :
: Commodity Prices	4 :	: Fruit	10 :
: Farm Income	5 :	: Truck Crops	11 :
: Livestock and Meats	5 :	: Potatoes and Sweetpotatoes	12 :
: Dairy Products	6 :	: Wool	12 :
: Poultry and Eggs	7 :	: Cotton	13 :
: Fats, Oils, and Oilseeds...	7 :	: Tobacco	14 :
: Corn and Other Feed	8 :		

DEMAND FOR FARM PRODUCTS

Demand for farm products in 1946 is continuing at an exceptionally high level. Some decline from last year's national income is anticipated, but the total volume of consumer spending is likely to exceed that of any previous year. Increased civilian expenditures on food and textiles should largely offset the greatly reduced demands of the armed forces. Foreign demand will be strong, and exports of agricultural products probably will be close to the level of 1945 when their value was about 3 times the 1935-39 average.

Mainly as a result of strikes in automobile plants, and holiday shutdowns in steel, textiles, paper, and mining, the seasonally adjusted Federal Reserve Board index of industrial production (1935-39 = 100) declined from 168 in November 1945 to 164 in December, reaching a level nearly 30 percent below December 1944. For 1945 as a whole, the index was 203 compared with 235 in 1944, a decline of about 14 percent. Owing mainly to the shutdown in steel, the index dropped sharply to 159 in January according to the preliminary estimate, 732 percent lower than a year ago.

Despite the decline in industrial production, the volume of income payments in 1945 totaled 161 billion dollars, compared with 157 billion in 1944. Income payments in December 1945 were at an annual rate of about 157 billion dollars, only 3 percent lower than in December 1944. Consumer expenditures in the fourth quarter of 1945 reached an annual rate of 110 billion dollars, compared with 101 billion dollars in the last quarter of 1944, an increase of 9 percent. For 1945 as a whole, consumer expenditures totaled 105 billion dollars compared with 98.5 billion in 1944. With the settlement of strikes in steel and other major industries, industrial production is expected to recover from the low levels reached in January. Income payments in 1946 may be maintained close to the 150 billion dollar level, while consumer expenditures may reach a new record, perhaps exceeding those of 1945 by as much as 10 percent.

COMMODITY PRICES

Reflecting the continuing high level of domestic and foreign demand, the Bureau of Labor Statistics' index of wholesale prices has risen slowly during the last year, reaching 107.1 in January which is 3% above a year earlier. Prices both of farm products and nonfarm products contributed to the advance. For the year 1945, the preliminary average of the index was 106, or 2 points higher than the average for 1944.

The index of prices received by farmers was 206 in January 1946 (1910-14 = 100), 5 points higher than a year earlier. The index of crop prices in January was 7 points higher than in January 1945. While the livestock price index was 204 in January, only 2 points higher than a year earlier.

The index of prices received is expected to remain close to its present level during the next few months. The index for crops is expected to advance slightly, while that for livestock and livestock products is expected to show a moderate decline, owing in part to seasonal movements in the prices of dairy products and eggs. The decline in dairy product prices may be less than seasonal and the decline in egg prices may be somewhat greater.

The index of prices paid by farmers, including interest and taxes, rose slightly from 175 in November to 176 in December and 177 in January, and is likely to continue to advance slowly. The January 1946 index was 5 points higher than that of January 1945, but the ratio of prices received to prices paid was 112 in both months.

FARM INCOME

Cash receipts from farm marketings during the first 4 months of 1946 are expected to total about 5,700 million dollars, approximately the same as for the same period in 1945. Income from crops during these 4 months is expected to be slightly higher than in that period of last year, as cash receipts from the record 1945 wheat crop have been moving on a higher level than a year ago. However, receipts from livestock and products may not be quite so great as in 1945.

On the basis of present prices and marketings, it appears that total cash receipts during February probably will amount to about 1,375 million dollars, or slightly more than in February of last year. This would be a drop of 10 percent from January, about proportionate to the decrease in number of days in the month, but less than the monthly decline of the past 2 years. Receipts from most crops will drop seasonally, and total crop receipts are expected to show a greater percentage decline from January than total receipts from livestock and products.

In March, total cash receipts from farm marketings will probably be slightly above February, and about the same as in March 1945. Cash receipts from crops may be less than in February, with cotton and tobacco dropping seasonally, but total livestock and products may show some increase.

No significant change is expected in total cash receipts in April compared with March, or a year earlier.

LIVESTOCK AND MEATS

Hog prices are expected to remain close to ceilings, at least until late spring when marketings of 1945 fall pigs reach their peak. The subsidy of \$1.70 per 100 pounds liveweight paid to hog slaughterers will be continued through June 30, according to a recent announcement of the Office of the Stabilization Administrator. In an earlier announcement, it had been stated that \$1.30 of this subsidy would be terminated March 31.

Hog marketings expanded rapidly in late January. Numbers of hogs recorded at major terminal markets and in large direct-buying areas were the greatest since June 1944. Hog prices held mostly at ceiling levels. Slaughter of hogs under Federal inspection in the 2 weeks ended February 9 was more than 55 percent above a year earlier. The peak in marketings of 1945 spring pigs apparently was reached in late January.

Following resumption of activities at large packing plants, slaughter of cattle increased, but in February was still running under that of a year ago.

Sheep and lamb movement expanded sharply in late January, and was accelerated on February 1 by an increase of 50 cents in subsidy payments on sales of slaughter lambs. Inspected slaughter of sheep and lambs in the first full week in February was 27 percent above a year earlier.

Despite the 10-day interruption of activities at major slaughtering plants in January, federally-inspected slaughter of hogs for the month, totaling 4.9 million head, was only 7 percent under January 1945. The average weight of hogs at 7 markets in January was 263 pounds per hog compared with 259 pounds in December and 246 pounds in January 1945. Inspected cattle slaughter in January was only slightly below the high wartime level for the month. Inspected calf slaughter was 21 percent below January last year, but was only 1 percent below the 5-year average. Inspected slaughter of sheep and lambs in January was 31 percent below a year earlier and 20 percent below the 5-year average for the month.

The number of grain-consuming livestock on farms, in terms of animal units, was little changed during 1945. Increases of 2.6 million head in hog numbers and 15 million head in chicken numbers were nearly offset by decreases in numbers of other livestock. Cattle numbers totaled 79.8 million head on January 1, 1946, a decrease of 3 percent from a year earlier, with reductions occurring in both dairy stock and in beef cattle. Sheep and lamb numbers were 7 percent less on January 1, 1946 than a year earlier. The downward trend in horse and mule numbers, under way for several years, was accelerated in 1945.

Federally-inspected meat packers, are now required to set aside from current production a quantity of pork equal to 13 percent of the live weight of hogs slaughtered each week, and to increase the lard set-aside from 3-1/2 percent to 5 percent of the liveweight of hogs slaughtered. This action effective February 10, was taken to facilitate Government procurement of meat and lard for export.

DAIRY PRODUCTS

Over-all demand for dairy products at present prices will exceed supplies. Supplies of fluid milk and manufactured whole milk products (cheese, evaporated and condensed milk, and dried whole milk) may be sufficient during the year to meet most demands, but the demand-supply gap for butter will be wide all year. Production of ice cream, limited by sugar supplies, will not be sufficient to meet demand in full.

Unit returns to dairy farmers during 1946 are expected to be close to the 1945 levels. The Department has recently announced the continuance of subsidy payments through June 30, and the Office of the Stabilization Administrator has indicated increases in price ceilings if subsidies are eliminated.

Milk production in 1946 is expected to be smaller than in 1945, but sharp reductions in noncivilian takings will leave somewhat more dairy products than the 800 pounds available per civilian (milk equivalent) in 1945. Civilian supplies of canned milk and cheese probably will be near record levels. Consumption of fluid milk may be somewhat smaller per person than in 1945, but fluid cream consumption per person will be substantially greater. Total consumption of fluid milk and cream probably will be somewhat larger in 1946 than in 1945. Butter supplies will continue at a low level.

POULTRY AND EGGS

Domestic demand for eggs in 1946 is expected to be moderately less than in 1945, chiefly because supplies of meats are larger than last year. Exports also will be less. Prices received by farmers for eggs during the flush production season will be less than in the comparable season of 1945, and may be at or near support price levels.

For price-support purposes only, the U. S. Department of Agriculture has announced that, until further notice, it will pay 99 cents to \$1.00 per pound for dried whole eggs, f.o.b. delivery point, and 26-3/4 cents per pound for frozen whole eggs. These prices are expected to reflect at least 90 percent of parity as required by law.

Egg consumption per person, with prices at support levels, is expected to be below the 1945 consumption of about 390 eggs, but above consumption in any previous year. During the flush production season an excess of supply over domestic consumer demand for immediate consumption and storage purposes approximating 300 to 400 million dozen eggs may prevail. Farm egg output in the first half of 1946 will be about the same as a year earlier. In the latter half of the year, because of the prospective smaller number of layers, production is expected to be somewhat less than in the latter half of 1945.

Civilian supplies of chickens and turkeys in the first half of 1946 are unusually large. For the latter half, however, they may be slightly below 1945 levels. Prices received by farmers will be moderately below the high levels reached in 1945.

Based on farmers' intentions as of February 1, the number of chickens raised this spring will be about 14 percent lower than last spring. However, an increase in the rate of culling is expected, which will result in a total slaughter of farm chickens not much less than in 1945. Because of tight feed supplies and the expectation of decreased Army procurement, commercial broiler and turkey production will be somewhat less in 1946 than in 1945.

FATS, OILS, AND OILSEEDS

Consumer demand at ceiling prices for nearly all fat-and-oil products remains well in excess of available supplies. The wide gap that existed in late 1945 between demand and supply for butter has been further widened this winter as a result of the smallest output in years and the exhaustion of surplus stocks made available by the armed forces last fall. With margarine production smaller this winter than last, as a result of smaller quotas on use of oils and fats in manufacture, civilian margarine supplies also are now materially short of demand.

Domestic supplies of fats and oils may improve somewhat during 1946. Butter output will increase seasonally in the spring and early summer. Production of lard and of linseed oil from domestic flaxseed will be larger this year than in 1945. Philippine copra and Chinese tung oil will be received in increasing quantities, but shipments will not reach the level of pre-war years. A moderate reduction from 1945 in exports of fats and oils, particularly of margarine, may occur.

Total new supplies of fats and oils available for use in the United States in 1946 may be about 5 percent larger than the 9.3 billion pounds available in 1945. But actual use may be only slightly larger, since stocks were drawn upon in 1945. Factory and warehouse stocks on January 1, 1946, totaled 1,719 million pounds, 438 million pounds less than a year earlier.

Reflecting a strong demand, prices received by farmers for soybeans in mid-January averaged \$2.09 per bushel, 3 cents more than a year earlier. Prices for farmers' stock peanuts also were higher than a year earlier, averaging 8.37 cents per pound compared with 8.14 cents. With terminal market prices for flaxseed continuing at ceilings (\$3.10 per bushel at Minneapolis), prices received by farmers in mid-January averaged \$2.89 per bushel, the same as in preceeding 7 months, but 2 cents less than in February 1945. Cottonseed prices to farmers, at an average of \$50.90 per ton in mid-February, were \$1.90 less than a year earlier reflecting a lower average grade of cottonseed this season than last.

CORN AND OTHER FEED

The very strong demand for feed grains and byproduct feeds that has persisted during the past few months continued unabated during February. Market supplies have been fairly large, but, with high returns from livestock, demand has far exceeded the available supplies. Prices have remained at ceiling levels. Competition for market supplies of all kinds of feed concentrates probably will continue intense through spring. Supplies of corn, will be insufficient to meet all needs at least until new crop grain becomes available next fall. This will be particularly true of supplies for processing, while practically none will be available for export.

Emergency measures, taken under the President's directive of early February to help meet world food needs are aimed at reducing the use of wheat for feed, including its use in mixed feeds. The output of wheat millfeeds will be reduced, along with the higher extraction rate in milling. If hogs are marketed at lighter weights and cattle are marketed before attaining a high degree of finish, as suggested by the President, the rate of feeding per unit of livestock output will be reduced somewhat.

Demand for feed grain for processing and for export probably will be very strong during the remainder of the current season. Requirements for livestock, however, probably will be somewhat lower by the second half of 1946, with fewer chickens and turkeys being raised than in 1945, and with some decrease in numbers of milk cows and other cattle on farms. It is expected that there will be more hogs on farms this fall than a year earlier, and they may be marketed at lighter weights.

Carry-over of corn, oats, and barley at the end of the current marketing year may be 2 million tons less than the 14.2 million tons on hand at the end of the 1944-45 marketing year, and 2.5 million tons less than the average for the preceding 10 years. All of the reduction this year will be in corn and barley.

FEBRUARY 1946

- 9 -
FOOD GRAINS

Prices of wheat, rye and rice are expected to continue throughout the year at ceiling levels, and carry-over stocks at the close of the current marketing year are expected to be relatively small, reflecting the very large demands for exports.

Wheat

With the great demand for wheat, domestic prices have been and will continue at ceiling levels.

With the very heavy requirements for export, it is expected that the carry-over July 1, 1946 will be reduced to the lowest level since 1937. Domestic food use, under the 80 percent extraction rate, for the year ending June 1946, may be reduced by about 20 million bushels. Wheat for alcohol and beer, that used about 20 million bushels from July 1 to date, is being discontinued altogether. Seed is expected to require about 84 million bushels. Just what economies can be achieved in the use for animal and poultry feed is uncertain. In the July-December period about 175 million bushels were fed. If the total for the year is held to about 240 million bushels, it would leave about 530 million bushels for exports and carry-over. On this basis the carry-over July 1 may decline to about 150 million bushels, and exports would be about 380 million bushels, half of which was exported in the July-December period. A carry-over of 150 million bushels compares with the 1932-41 prewar average of 235 million bushels, and the low in the past decade of 83 million bushels in 1937. (Supply totals about 1406 million bushels, consisting of July 1, 1945 stocks of 281 million, a crop of 1123 million, and imports now being placed at about 2 million.) Growers held 369 million bushels on farms on January 1 out of the total 689 million.

Rye

The rye supply this year consists of July 1, 1945 stocks of 12.8 million bushels, production of 26.5 million and probable imports of about 2.5 million. Disappearance in 1945-46 will again exceed production. The disappearance for food is expected to be about 7.6 million bushels (the same as the 1935-39 average), seed 5.2 million, and feed, alcohol, and exports about 22 million, leaving a carry-over of about 6 million bushels, July 1, 1946. A carry-over of this size would be very small. In mid-January the price received by farmers for rye averaged \$1.50, which was 118 percent of parity. Prices have advanced since mid-January.

Rice

Rice supplies for domestic consumption are below prewar levels because of continued heavy exports, mainly to Cuba, the U. S. territories, the Philippines, and for UNRRA. These exports cover only a part of the large needs. Especially in the Far East, the need is so great that the entire United States supply would satisfy only a very small fraction of it. Until the 1946 harvest, therefore, the domestic supply of rice will continue at a low level. Strong export demand is expected to continue into the 1946-47 marketing year. Rice goals were announced on January 16 and called for almost the same acreage as the record seeded in 1945. Rice prices have been at ceiling levels for the past 4 months, and in mid-January were at 125 percent of parity.

FRUIT

Demand for fresh fruit continues relatively strong—with prices at ceilings for the short supplies of deciduous fruits and prices generally below ceilings for the ample supplies of citrus fruits. Prices for oranges and grapefruit in March and April are expected to advance seasonally from the low points reached in late January and February. Average prices for oranges probably will approach ceiling levels, but average prices for grapefruit may remain considerably below ceilings. Prices for lemons may not increase much until warm weather stimulates demand. Apples, pears, and strawberries will sell at or near ceiling levels during the next few months.

Terminal market auction prices for oranges advanced moderately in late January approaching the levels of a year earlier. At mid-February, the better grades and preferred sizes of oranges generally sold at or near ceilings—the poorer grades and smaller sizes generally sold at some discount below ceilings. Slight additional increases in prices appear probable in March and April. Ceiling prices for Florida oranges increase seasonally on March 1, for California oranges on May 1. Fresh market supplies of oranges continue ample although commercial canners had taken 50 percent more oranges this season through February 2 than for the corresponding period a year earlier.

Prices for grapefruit at terminal auction markets recovered slightly in late January from the early-January declines. At mid-February, grapefruit prices fluctuated at levels considerably below those of a year earlier. Fresh market supplies of grapefruit have been more plentiful this season than last, when the Florida crop was severely reduced by a tropical storm and when a much larger quantity of the fruit was taken by commercial canners. Through February 2 this season commercial canners took approximately 7.4 million boxes of Florida grapefruit, about 36 percent less than during the corresponding period last season. In Texas, the other principal grapefruit canning State, canners have taken about the same quantity thus far this season as last. Prices during the next few months may not advance very much.

Terminal market auction prices for California lemons, as for other citrus fruit, declined seasonally during January and early February. At mid-February, such prices, although well below ceilings, were near the levels of a year earlier. With harvest of lemons well under way, prices are not likely to advance much until stimulated by increased demand arising from warm weather in spring.

With cold storage stocks of apples about half as large as a year ago and continued strong demand, prices at country shipping points and terminal wholesale markets are expected to continue at ceilings. Prices for pears also are expected to continue generally at ceilings, even though the fast dwindling storage stocks are about as large as a year earlier.

Early marketings of the 1946 crop of strawberries have sold at ceiling prices both at country shipping points and at wholesale in New York City and Chicago. Supplies of strawberries, which usually reach a seasonal peak in May, probably will be considerably larger this spring than last, because the acreage planted or intended for spring harvest is 20 percent larger than last year. This 1946 spring acreage, however, is 28 percent smaller than the 10 year average (1935-44), and strawberries are expected to sell at ceiling prices throughout the year.

TRUCK CROPS

For Fresh Market

Prices which farmers will receive in March and April for commercial truck crops for fresh market shipment are expected to be seasonally higher than in February. Prices for most truck crops in March this year are expected to remain moderately above those of a year earlier, since a repetition of last year's unusual price drop in March is not expected. Wholesale prices for truck crops in terminal markets in recent weeks have been sustained by continued strong demand and by a market supply somewhat smaller than at this time last year. The reduced market supplies are primarily a consequence of crop damage and delay by cold weather in some areas, and to a lesser extent reflect difficulty in obtaining refrigerator cars at some shipping points.

Market supplies for spring probably will be about as large as last year. Early reports on spring acreages (intended and preliminary), covering approximately 40 percent of the total, show an increase of 8 percent over 1945 and 17 percent above average (1935-44). Yields per acre were above average last spring. Especially heavy increases in acreage are indicated for late spring onions and for covered acreages of cantaloups and honeyball and honeydew melons. Shallots is the only spring crop showing a reduction from last year.

For Processing

Demand for vegetables for processing is expected to be strong though somewhat less than last year, even with the great reduction of military requirements. In early February, it was announced by the Department of Agriculture that grower prices for vegetables for processing (and prices for processed vegetables) would not be supported in 1946. Also announced for vegetables for canning and freezing were the area average prices to be used by the O.P.A. as the raw material cost basis in computing the maximum prices for the 1946 packs of canned and frozen vegetables.

The 1946 schedules of these area average prices used in calculating ceilings on canned and frozen packs include an increase of \$5.00 per ton for fresh lima beans for processing and an increase of 8 cents per bushel for fresh cucumbers from the prices originally announced for 1945. Both price changes were necessary for legal requirements. Prices of sweet corn and green peas for canning and freezing and of tomatoes for canning are the same as the area average prices approved for these vegetables in 1945. No prices have been designated for canning carrots and sweetpotatoes or cabbage for sauerkraut, since these processed vegetables are presently exempt or suspended from price control. Likewise, no prices have been designated for snap beans, fresh shelled beans, and beets for processing, since the 1946 packs of these commodities will be suspended from price control.

POTATOES AND SWEETPOTATOES

Prices for potatoes weakened to support levels in January and early February even though refrigerator car shortages were partly relieved, but may rise gradually in March and April, provided the weather, labor conditions and car supply permit at least normal movement. Ample supplies of late crop potatoes remain available in storage in producing areas. Export demand may not be completely satisfied because of labor, car, and weather handicaps in loading and moving the potatoes to ports and in loading on ship.

Movement of seed potatoes, already under way, will become heavy in March and will complicate the car problem for table stock potatoes. There is some possibility that prices of old crop potatoes will decline because stocks may not be used up fast enough before new potatoes became plentiful.

Plantings and intentions to plant indicated in early February that the total acreage in commercial early potatoes this year probably will be about the same as last year. January 1 preliminary intentions of growers to plant in the 37 late and intermediate States indicate a slight decline in acreage compared with last year.

Stocks of sweetpotatoes are below average and are expected to continue to reflect ceiling levels.

COTTON

At the 10 spot markets, Middling 15/16-inch cotton prices were 1.89 cents above a month earlier and higher than for any comparable period since the middle 1920's. After stabilizing somewhat at about 24.50 cents in the first half of January, prices moved upward steadily, passing the 25 cent level on January 26 and continuing on up to 26.31 cents per pound on February 15. However, the average price received by farmers for cotton on January 15 was 22.36 cents per pound, compared with 22.84 cents on December 15. This reflected a higher percentage of low grades in farm marketings of cotton and the current price stability of low qualities in relation to Middling 15/16-inch or higher. Only small quantities of cotton are marketed by farmers at this time of year. The market price for Middling 15/16-inch cotton first exceeded the Commodity Credit Corporation "stabilization" or sales prices in October 1945 and is now 2.30 cents above the comparable February stabilization price of 24.01 cents. Through January 28, the CCC had sold at prices above the stabilization price level, 250,531 bales of the 650,000 offered after December 30 for sale on a bid basis.

The total supply of cotton on the market is large, but the supply of the higher grades of medium staple length is comparatively small. The cotton offered under the December 30 announcement on a bid basis contained a fair proportion of the high grades of medium staple length which are in short supply. On the other hand, the Government stocks being sold under the CCC general sales program at stabilization prices, contain large proportions of the low grades and short staples which are in large supply. Thus, the CCC sales programs now tend to determine the market prices of grades and lengths for which stocks are high but exert relatively less influence on the price of better grades and lengths for which such stocks are low. Partly as a result of this situation market discounts for grades below Middling 15/16 are increasing.

It is estimated that the daily rate of cotton consumption in January was 36,061 bales, compared with the December rate of 32,589 bales. In January the rate of consumption (converted to annual basis) was 9.2 million bales, compared with the annual rate of 8.3 million bales in December. The high wartime rates of cotton consumption reflect, in part, the increases in mill margins since prewar years. Conversely, the recent decline in the rate of cotton consumption probably reflects, in part, recent decreases in mill margins resulting from advances in cotton prices.

WOOL

With a high general level of consumer incomes in prospect, large requirements for returning veterans, and a strong demand for wool fabrics and clothing for replenishing commercial inventories, United States mill consumption of apparel wool in 1946 will continue large compared with the 1935-39 average annual consumption of about 590 million pounds (grease basis). But the 1946 consumption is likely to be well below the wartime rate of slightly more than a billion pounds a year. The reduction in Commodity Credit Corporation selling prices in late November made domestic wool available to mills at prices more nearly in line with prices of comparable foreign wool than in the past several years. United States mills and dealers, however, continued to purchase relatively large quantities of wool in foreign markets during December and January.

As the Commodity Credit Corporation will purchase domestic wool until November 1, 1946, at 1945 support prices, domestic wool growers are assured a market for their entire 1946 production at substantially the same prices received last year. Prices to growers averaged about 41 cents a pound in 1945. Prices paid by the Commodity Credit Corporation for domestic wool, on the average, are about 7 cents a pound, grease basis, higher than prices at which the Corporation is now selling domestic wool to processors and mills. Practically all of the 1946 production probably will be sold to the Corporation. From the beginning of the Government purchase program in April 1943 through December 29, 1945, the Commodity Credit Corporation had purchased about 950 million pounds (grease basis) of domestic wool. Little more than half of Commodity Credit Corporation purchases had been resold to mills and processors.

TOBACCO

Through the week ending the 16th of February, 97 percent of the 1945 crop of burley had been marketed at an average of 39.7 cents per pound. During the first week of sales, December 3 to 9 about 15 percent of the crop was sold at an average of 47.5 cents a pound. As the marketing season progressed, however, prices declined steadily and substantially to 32.5 cents for the week ending February 16. The burley prices prevailing at the end of season result from supply and demand factors including (1) the large 1945-46 burley supplies which exceed those in 1944-45 by about 100 million pounds, (2) the reduced 1946 demand in relation to the war-end peak and (3) a lack of an important burley export market. Demand for cigarette tobacco in early 1946 is lower than at war-end chiefly because of the sharp drop in military takings. As a result of the burley price decline, legislation has been passed recently making possible a cut in burley acreage allotments.

At about the middle of February, dark air-cured tobacco was selling at relatively high prices. In the 7-day period ending February 12 Green River (type 35) sold at an average of 25.1 cents compared with 22.4 a year ago. For the 7-day period ending February 16, Virginia sun-cured (type 37) sold at an average of 37.8 cents, the highest for the season, and One Sucker (type 35) sold at an average of 25.9 cents per pound, the highest weekly average in over two years. Under marketing quotas for 1946, individual farm acreage allotments will be 10 percent larger in the case of both Green River and One Sucker than in 1943, the last year for which allotments were in effect.

Prices of fire-cured tobacco have been rising steadily since the opening week of sales. Prices of Virginia fire-cured (type 21) have increased from 27.9 cents in the opening week to 35.8 cents for the 7 days ended February 14, with 73 percent of the marketings now complete. Eastern District fire-cured (type 22) sold at an average of 34.4 cents for the 7 days ended February 13, the highest weekly average on record, and western District fire-cured (type 23) sold at an average of 32.0 cents a pound, one of the highest weekly averages to date. Under the 1946 marketing quotas, individual farm acreage allotments for fire-cured tobacco will be 20 percent larger than the 1943 allotments.

Domestic consumption of tobacco products is continuing at exceptionally high levels, although below wartime peaks. Tax-paid withdrawals of cigarettes in December amounted to 16.1 billion compared with 17.8 billion a year earlier. January withdrawals can be expected to show a seasonal increase. In 1945 tax-paid withdrawals of cigarettes amounted to 267.6 billion compared with 239.3 in 1944. Tax-free withdrawals of cigarettes for overseas shipment to the armed forces are currently running at about one-eighth of the quantities taken during the war.